

**MANHATTAN PUBLIC LIBRARY**

Manhattan, Kansas

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

For the Year Ended December 31, 2014

**MANHATTAN PUBLIC LIBRARY**

Manhattan, Kansas

As of December 31, 2014

**BOARD OF TRUSTEES**

President - Brice Hobrock

Vice-President - Thomas Giller

Janet Duncan

Bill Lansdowne

Kerry Spencer

G. Kent Stewart

Holly Friesen

Ex-Officio - Mayor Wynn Butler

**DIRECTOR**

Linda Knupp

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**TABLE OF CONTENTS**  
As of December 31, 2014

	<u>Page</u>
<b>Independent Auditor's Report</b>	1 - 2
<b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	3 - 4
<b>Management's Discussion and Analysis</b>	5 - 6
<b>Financial Statements</b>	
Statement of Net Position	7
Statement of Activities	8
Balance Sheet - Governmental Funds	9
Statement of Revenue, Expenditures, and Changes In Fund Balances - Governmental Funds	10 - 11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis)	12
Notes to Financial Statements	13 - 18



May 27, 2015

To the Board Members of the  
Manhattan Public Library  
Manhattan, Kansas

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manhattan Public Library (the Library), as of and for the year ended December 31, 2014 and the related notes to the financial statements which collectively comprise the Library's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Manhattan Public Library, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

May 27, 2015  
Manhattan Public Library  
(continued)

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2015 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting compliance.

*Vannoy & Associates, CPAs, LLC*

Certified Public Accountants  
Manhattan, Kansas



May 27, 2015

To the Board Members of the  
Manhattan Public Library  
Manhattan, Kansas

**Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Manhattan Public Library (the Library), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated May 27, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

May 27, 2015  
Manhattan Public Library  
(continued)

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vannoy & Associates, CPAs, LLC*

Certified Public Accountants  
Manhattan, Kansas

# *Independent Auditor's Report*

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
December 31, 2014

# Financial Statements

## General Information

This annual report consists of two parts – management's discussion and analysis (this section), and the basic financial statements. The basic financial statements include information that presents two different views of the Libraries System:

The Statement of Net Position and Statement of Activities are the *government-wide financial statements*. They provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances.

The Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balance are the *fund financial statements*. These statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds for all governmental funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Throughout this discussion and analysis, financial figures have been rounded to the nearest \$1,000 unit.

## Financial Analysis of the Library as a Whole

The Library's government-wide net position increased by \$41,000 during the year ended December 31, 2014 and maintained a composition of assets, liabilities, deferred inflows and net position which is consistent and comparable with 2013 levels as follows:

	<u>2014</u>	<u>%</u>	<u>2013</u>	<u>%</u>
<b>Assets</b>				
Current assets	\$ 3,875,000	85%	\$ 3,736,000	84%
Capital assets - Net	661,000	15%	692,000	16%
<b>Total Assets</b>	<u>\$ 4,536,000</u>	<u>100%</u>	<u>\$ 4,428,000</u>	<u>100%</u>
<b>Liabilities</b>				
Current liabilities	\$ 80,000	2%	\$ 83,000	2%
Long-term liabilities	241,000	5%	253,000	6%
<b>Total Liabilities</b>	<u>\$ 321,000</u>	<u>7%</u>	<u>\$ 336,000</u>	<u>8%</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - Property taxes	<u>\$ 2,761,000</u>	<u>61%</u>	<u>\$ 2,679,000</u>	<u>61%</u>
<b>Net Position</b>				
Investment in capital assets	\$ 661,000	15%	692,000	16%
Unrestricted	793,000	17%	721,000	16%
<b>Total Net Position</b>	<u>\$ 1,454,000</u>	<u>32%</u>	<u>\$ 1,413,000</u>	<u>32%</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 4,536,000</u>	<u>100%</u>	<u>\$ 4,428,000</u>	<u>100%</u>

The Library maintained legal compliance with its operating budget which was approved at a level 2% higher for 2014 than for 2013. The remaining 1% increase in expense is attributable to discretionary and reimbursed spending through funds which are not subject to budgetary limits.



**MANHATTAN PUBLIC LIBRARY**  
 Manhattan, Kansas  
**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**  
 December 31, 2014

**Financial Analysis of the Library as a Whole (Continued)**

<b>Revenue</b>	<b>2014</b>	<b>%</b>	<b>2013</b>	<b>%</b>
Program revenues	\$ 291,000	10%	270,489	9%
General revenues	2,710,000	90%	2,652,161	91%
<b>Total Revenue</b>	<b>\$ 3,001,000</b>	<b>100%</b>	<b>\$ 2,922,650</b>	<b>100%</b>
 <b>Expenses</b>	 <b>2,960,000</b>	 <b>99%</b>	 <b>2,808,393</b>	 <b>96%</b>
 <b>Change in Net Position</b>	 <b>\$ 41,000</b>	 <b>1%</b>	 <b>\$ 114,257</b>	 <b>4%</b>

**Financial Analysis of Funds within the Library**

The Library operates a series of funds of which the General Fund and Employee Benefit Fund are financed primarily through property tax levy each year. The remaining funds are financed primarily through gifts, grants and charges for service.

The General Fund experienced a significant \$60,000 increase in fund balance during 2014 which is carried over and made available for 2015 operations. The General Fund was operated within budgeted limits for 2014 having expended \$75,000 less than what was budgeted.

The Employee Benefits Fund experienced an \$18,000 decrease in fund balance during 2014 and has a remaining \$75,000 of fund balance which is carried over and available for 2015 operations. The Employee Benefits Fund was operated within budgeted limits for 2014 having expended \$13,000 less than what was budgeted.

The Endowment fund operated with a \$17,000 surplus for 2014 which is carried over and made available to future years. The Capital Improvement Fund expended \$33,000 of which the majority was used to service the debt on the FCIP lease to the City of Manhattan, Kansas. Other governmental funds operated with a \$35,000 surplus which is carried over to 2015.

**Factors Bearing on the Future of the Library**

At the time that these financial statements were prepared and audited, the Library was aware of the following items that could have significant impact on its finances in the future:

- Continued low interest rates will have a negative impact on future revenue derived from investment of idle funds.
- The Library continues to closely monitor external factors such as (1) the costs of facilities, (2) medical insurance, (3) other employee benefit costs, and (4) third-party service charges. Currently, there are no known factors which would be expected to cause significant fluctuations in operating costs in the near term.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Library's finances and to demonstrate accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Manhattan Public Library  
 629 Poyntz Avenue  
 Manhattan, KS 66502

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**STATEMENT OF NET POSITION**  
December 31, 2014

**ASSETS**

**Assets**

Cash and cash equivalents	\$ 690,548
Investments	423,691
Taxes receivable	2,761,000
Capital assets - Net	660,962
<b>TOTAL ASSETS</b>	<b><u>\$ 4,536,201</u></b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

**Liabilities**

Accounts payable	\$ 17,964
Payroll liabilities	36,542
Compensated absences	88,656
FCIP Lease - Due within one year	25,471
FCIP Lease - Due in more than one year	152,826
<b>Total Liabilities</b>	<b><u>\$ 321,459</u></b>

**Deferred Inflows of Resources**

Unavailable revenue - Property taxes	<u>\$ 2,761,000</u>
--------------------------------------	---------------------

**Net Position**

Investment in capital assets	\$ 660,962
Unrestricted	792,780
<b>Total Net Position</b>	<b><u>\$ 1,453,742</u></b>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND NET POSITION**

**\$ 4,536,201**

*Financial Statements*

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2014

**Expenses**

Library operations	
Personnel services	\$ 2,010,837
Commodities	317,629
Contractual services	471,123
Depreciation	131,613
Miscellaneous	28,459
<b>Total Expenses</b>	<u>\$ 2,959,661</u>

**Program Revenues**

Charges for services	\$ 103,683
Operating grants and contributions	187,123
<b>Total Program Revenues</b>	<u>\$ 290,806</u>

<b>Net Program Expenses</b>	<u>\$ (2,668,855)</u>
-----------------------------	-----------------------

**General Revenues**

Property taxes	\$ 2,704,359
Investment earnings	5,578
<b>Total General Revenues</b>	<u>\$ 2,709,937</u>

<b>Change in Net Position</b>	<u>\$ 41,082</u>
-------------------------------	------------------

<b>NET POSITION - BEGINNING, AS PREVIOUSLY STATED</b>	\$ 1,352,380
---	--------------

<b>PRIOR PERIOD ADJUSTMENT - ENCUMBRANCES</b>	<u>60,280</u>
---	---------------

<b>NET POSITION - BEGINNING, AS RESTATED</b>	<u>\$ 1,412,660</u>
--	---------------------

<b>NET POSITION - END OF THE YEAR</b>	<u><u>\$ 1,453,742</u></u>
---------------------------------------	----------------------------

*Financial Statements*

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
December 31, 2014

	General	Employee	Endowment	Capital	Other	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 114,654	\$ 111,953	\$ 133,420	\$ 92,217	\$ 238,304	\$ 690,548
Investments	-	-	248,723	-	174,968	423,691
Taxes receivable	2,231,000	530,000	-	-	-	2,761,000
<b>TOTAL ASSETS</b>	<u>\$ 2,345,654</u>	<u>\$ 641,953</u>	<u>\$ 382,143</u>	<u>\$ 92,217</u>	<u>\$ 413,272</u>	<u>\$ 3,875,239</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 17,964	\$ -	\$ -	\$ -	\$ -	\$ 17,964
Payroll liabilities	-	36,542	-	-	-	36,542
<b>TOTAL LIABILITIES</b>	<u>\$ 17,964</u>	<u>\$ 36,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,506</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - Property taxes	\$ 2,231,000	\$ 530,000	\$ -	\$ -	\$ -	\$ 2,761,000
<b>Fund Balance</b>						
Assigned	\$ -	\$ 75,411	\$ 382,143	\$ 92,217	\$ 413,272	\$ 963,043
Unassigned	96,690	-	-	-	-	96,690
<b>Total Fund Balance</b>	<u>\$ 96,690</u>	<u>\$ 75,411</u>	<u>\$ 382,143</u>	<u>\$ 92,217</u>	<u>\$ 413,272</u>	<u>\$ 1,059,733</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u>\$ 2,345,654</u>	<u>\$ 641,953</u>	<u>\$ 382,143</u>	<u>\$ 92,217</u>	<u>\$ 413,272</u>	<u>\$ 3,875,239</u>

**Total Fund Balance - Modified Accrual Basis** \$ 1,059,733

Amounts reported in the statement of net position are different because:

Capital outlay is charged to expenditure in the funds but is capitalized and depreciated on the statement of net position	660,962
In the funds, compensated absences are charged to expense when used by the employees but on the statement of net position the expense is charged as employees earn the benefit.	(88,656)
Debt service on the FCIP loan is charged to expenditure in the funds but is applied as a reduction of the loan balance on the statement of net position.	<u>(178,297)</u>

**Net Position of Primary Government - Full Accrual Basis** \$ 1,453,742

The accompanying notes are an integral part of these financial statements.  
See Independent Auditor's Report.

**MANHATTAN PUBLIC LIBRARY**  
 Manhattan, Kansas  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
 For the Year Ended December 31, 2014

	<b>General</b>	<b>Employee Benefit</b>	<b>Endowment</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenue</b>						
Property taxes	\$ 2,210,200	\$ 494,159	\$ -	\$ -	\$ -	\$ 2,704,359
Charges for services	-	-	-	-	99,917	99,917
Intergovernmental	-	-	1,000	-	63,550	64,550
Investment earnings	-	-	1,565	-	4,013	5,578
Gifts and bequests	-	-	44,308	-	246	44,554
Gifts and bequests from Manhattan Library Foundation	-	-	78,019	-	-	78,019
Miscellaneous	1,527	-	-	-	2,239	3,766
<b>Total Revenue</b>	<b>\$ 2,211,727</b>	<b>\$ 494,159</b>	<b>\$ 124,892</b>	<b>\$ -</b>	<b>\$ 169,965</b>	<b>\$ 3,000,743</b>
<b>Expenditures</b>						
Personnel services	\$ 1,484,937	\$ 511,753	\$ -	\$ -	\$ -	\$ 1,996,690
Commodities	250,561	-	33,491	-	33,577	317,629
Contractual services	370,744	-	46,030	-	52,882	469,656
Capital outlay	45,575	-	-	32,723	48,980	127,278
Miscellaneous	-	-	28,459	-	-	28,459
<b>Total Expenditures</b>	<b>\$ 2,151,817</b>	<b>\$ 511,753</b>	<b>\$ 107,980</b>	<b>\$ 32,723</b>	<b>\$ 135,439</b>	<b>\$ 2,939,712</b>

(Continued)

The accompanying notes are an integral part of these financial statements.  
 See Independent Auditor's Report.

---

***Financial Statements***

---

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)**  
For the Year Ended December 31, 2014

	<u>General</u>	<u>Employee</u>	<u>Endowment</u>	<u>Capital</u>	<u>Other</u>	<u>Total</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	\$ 59,910	\$ (17,594)	\$ 16,912	\$ (32,723)	\$ 34,526	\$ 61,031
<b>FUND BALANCE - BEGINNING, AS PREVIOUSLY STATED</b>	\$ -	\$ 93,005	\$ 347,905	\$ 124,940	\$ 372,572	\$ 938,422
<b>PRIOR PERIOD ADJUSTMENT - ENCUMBRANCES</b>	36,780	-	17,326	-	6,174	60,280
<b>FUND BALANCE - BEGINNING, AS RESTATED</b>	\$ 36,780	\$ 93,005	\$ 365,231	\$ 124,940	\$ 378,746	\$ 998,702
<b>FUND BALANCE - END OF THE YEAR</b>	<u>\$ 96,690</u>	<u>\$ 75,411</u>	<u>\$ 382,143</u>	<u>\$ 92,217</u>	<u>\$ 413,272</u>	<u>\$ 1,059,733</u>
<b>Net Change in Fund Balances - Modified Accrual Basis</b>						\$ 61,031

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the funds but are recorded as capital assets with an annual charge to depreciation expense at the government wide reporting level

Capital outlay	100,340
Depreciation	(131,613)

Changes in the liability for compensated absence are reported as adjustments to expense at the government wide reporting level but are not reported in the funds	(14,147)
--	----------

Payment on FCIP liability is reported as expenditure in the statement of revenue, expenditures and changes in fund balance; in the statement of activities, it is recorded as a decrease in a liability	<u>25,471</u>
---	---------------

<b>Change in Net Position of Primary Government - Full Accrual Basis</b>	<u><u>\$ 41,082</u></u>
--	-------------------------

The accompanying notes are an integral part of these financial statements.  
See Independent Auditor's Report.

**MANHATTAN PUBLIC LIBRARY**  
 Manhattan, Kansas  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**  
 For the Year Ended December 31, 2014

	GENERAL FUND			SPECIAL REVENUE FUND EMPLOYEE BENEFIT		
	Budget	Actual	Favorable (Unfavorable) Variance	Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUE</b>						
Appropriation from the City of Manhattan, Kansas	\$ 2,189,200	\$ 2,210,200	\$ 21,000	\$ 490,000	\$ 494,159	\$ 4,159
Reimbursements and miscellaneous revenue	-	1,527	1,527	-	-	-
<b>Total Revenues</b>	<u>\$ 2,189,200</u>	<u>\$ 2,211,727</u>	<u>\$ 22,527</u>	<u>\$ 490,000</u>	<u>\$ 494,159</u>	<u>\$ 4,159</u>
<b>EXPENDITURES</b>						
Personnel services	\$ 1,530,000	\$ 1,484,937	\$ 45,063	\$ 524,500	\$ 511,753	\$ 12,747
Commodities	295,000	212,881	82,119	-	-	-
Contractual services	324,200	370,744	(46,544)	-	-	-
Capital outlay	40,000	45,575	(5,575)	-	-	-
<b>Total Expenditures</b>	<u>\$ 2,189,200</u>	<u>\$ 2,114,137</u>	<u>\$ 75,063</u>	<u>\$ 524,500</u>	<u>\$ 511,753</u>	<u>\$ 12,747</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<u>\$ -</u>	<u>\$ 97,590</u>	<u>\$ 97,590</u>	<u>\$ (34,500)</u>	<u>\$ (17,594)</u>	<u>\$ 16,906</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<u>-</u>			<u>93,005</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 97,590</u>			<u>\$ 75,411</u>	
<b>ADJUSTMENTS TO GAAP - ENCUMBRANCES</b>		<u>(900)</u>			<u>-</u>	
<b>FUND BALANCE - GAAP BASIS</b>		<u><u>\$ 96,690</u></u>			<u><u>\$ 75,411</u></u>	

The accompanying notes are an integral part of these financial statements.  
 See Independent Auditor's Report.

*Financial Statements*

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

**Note 1: Summary of Significant Accounting Policies**

***Reporting Entity***

The Manhattan Public Library (the Library) is a component unit of the City of Manhattan, Kansas and is governed by an appointed board. The Library is primarily funded through a tax levy, fines and fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

The financial reporting entity of the Library is comprised of itself as the primary government and any component units. Component units of the governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. Based on the application of the criteria above, there are no component units.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

***Government-Wide Financial Statements***

The government-wide financial statements (i.e. the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. For the most part, the effect of interfund activity has been removed from the statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues and are reported instead as general revenue.



**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2014

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)***

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

The Employee Benefits Fund is a special revenue fund used to account for employee benefits of the Library.

The Endowment Fund is a special revenue fund used to account for certain contributions and gifts made to the Library.

The Library also has the following non-major funds:

The Grants, Fines, Fees and Interest Fund is a special revenue fund used to account for and report the grants, fines, fees and interest earned by the Library.

***Budgetary Information***

Kansas statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Prior to July 1, the Librarian submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Library presents the budget to the City of Manhattan for guidance. Once approved by the Library Board, it is included in the City budget that is legally enacted prior to August 25.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles except that encumbrances are shown as expenditures. Budgetary comparisons for the General and Special Revenue Funds are presented as required by the State of Kansas; that is, including encumbrances as expenditures.

***Bank Deposits and Investments***

The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments of three months or less when acquired. Investments are stated at fair value.

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2014

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	5 - 10 years

**Compensated Absences**

It is the Library's policy to permit employees to accumulate earned but unused sick and vacation benefits. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund - General Fund only for employee terminations as of year-end.

**Fund Balances**

The Library elected to implement GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in calendar year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Assigned - includes amounts that the Library intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. According to the Library's policy, amounts may be assigned by the Director under the authorization of the Library's Board of Directors.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Library's board of directors has provided otherwise in its commitment or assignment actions.

**Net Assets**

Net assets restricted for purchase of materials are restricted for library collection materials, programming and equipment as allowed by the individual grant documents or contributors. Net assets restricted for employee benefits are to pay wages and benefits.

The Library's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**MANHATTAN PUBLIC LIBRARY**  
 Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2014

**Note 2: Deposits and Investments**

As of December 31, 2014, the Library had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1 - 2</u>
Certificates of deposit	\$ 423,691	\$ 423,691	\$ -

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds have a main or branch bank in the county in which the Library is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Library has no investment policy that would further limit its investment choices.

*Concentration of credit risk* - State statutes place no limit on the amount the Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

*Custodial credit risk - deposits* - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2014.

*Custodial credit risk - investments* - For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

**MANHATTAN PUBLIC LIBRARY**  
 Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2014

**Note 3: Capital Assets**

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated</b>				
Construction in progress	\$ 13,456	\$ -	\$ (13,456)	\$ -
Works of art	32,400	-	-	32,400
	<u>\$ 45,856</u>	<u>\$ -</u>	<u>\$ (13,456)</u>	<u>\$ 32,400</u>
<b>Capital assets being depreciated</b>				
Furniture and equipment	\$ 1,528,276	\$ 106,544	\$ (1,137,156)	\$ 497,664
Leasehold improvements	703,638	7,252	-	710,890
Accumulated depreciation	(1,585,535)	(131,613)	1,137,156	(579,992)
<b>Total capital assets being   depreciated - Net</b>	<u>\$ 646,379</u>	<u>\$ (17,817)</u>	<u>\$ -</u>	<u>\$ 628,562</u>
<b>Governmental activities capital   assets - Net</b>	<u>\$ 692,235</u>	<u>\$ (17,817)</u>	<u>\$ (13,456)</u>	<u>\$ 660,962</u>

**Note 4: Defined Benefit Pension Plan**

*Plan Description.* The Library participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provide retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603), or by calling 1-888-275-5737.

*Funding Policy.* K.S.A 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Service Code. Kansas law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

The Library's benefit plan expense for the year ended December 31, 2014 was \$130,759.

**Note 5: Budgetary Comparison**

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The Library is not legally required to adopt a budget for the Endowment Fund or Other Governmental Funds. Therefore, budget comparison information statements for these funds are not included in the Library's financial statements.

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2014

**Note 6: FCIP Lease**

The Library entered into a lease agreement with the City of Manhattan (the City) for the Facility Conservation Improvement Program (FCIP) during 2011. This project provides for various improvements to the Library which are intended to result in a savings in annual energy costs. The agreement states that the City of Manhattan will pay all of the costs associated with the project and the Library will make annual lease payments of \$25,471 for ten years for a total of \$254,710. The lease payments are intended to reimburse the City for the total cost of the project and do not include interest. Future debt service is scheduled at \$25,471 per year for years 2015 through 2020 at which time this debt will be fully retired.

**Note 6: Prior Period Adjustment**

During 2014, an error was discovered in which budgetary encumbrances totaling \$60,280 were incorrectly included in the expenditures reported on the statement of revenue, expenditures, and changes in fund balance and the statement of activities at December 31, 2013. The effect of this error has been presented as a prior period adjustment for the year ended December 31, 2014.

**Note 7: Manhattan Library Foundation**

The Manhattan Library Foundation, Inc. (the Foundation) was established to support the continued growth and improvement of the Library. The Foundation supports the Library by receiving and administering gifts, bequests and endowments through various investments. Revenues consist primarily of gifts and interest earned on the investments. Based on the operational and financial relationship between the Foundation and the Library, the Foundation is considered a related organization of the Library.

For the year ended December 31, 2014, the Library received contributions totaling \$78,019. There were no other transactions between the Library and the Foundation during 2014.

**Note 8: Commitments and Contingencies - Encumbrances**

The Library uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but rather as assigned fund balance. At December 31, 2014, the Library recorded encumbrances in governmental funds as follows:

Endowment	\$ 15,188
Other Governmental Funds	13,256
	<u>\$ 21,105</u>

**Note 9: Subsequent Events**

Management has evaluated subsequent events through May 27, 2015 which is the date the financial statements were available for issuance.